



Institut canadien des économistes en construction



## Q1 2026: Canada Construction Monitor

# Sentiment slips back as tariffs and the macro impact of Middle East conflict weigh on the outlook

- Construction Sentiment Index turns flat in Q1
- Infrastructure workloads still positive, but momentum eases across other sectors
- Cost of materials, financial constraints and skills shortage remain significant headwinds for the industry

The Q1 2026 RICS-CIQS Canada Construction Monitor results point to a softening in overall construction sentiment this quarter, reversing some of the modest improvement seen at the end of last year (Chart 1). Once again, anecdotal feedback from respondents is dominated by references to US tariff policy and the broader trade environment. In addition, the conflict in the Middle East is now being cited as a key source of concern, particularly in relation to its impact on fuel and material costs.

Disaggregating the headline figures by company size, the deterioration in the latest results is most evident among larger firms participating in the survey, where the sentiment index fell from +27 to -3 in Q1. At a provincial level, the sentiment index in British Columbia fell further into deeply negative territory, while conditions appear more resilient in the Prairies, where headline index remained positive at +24.

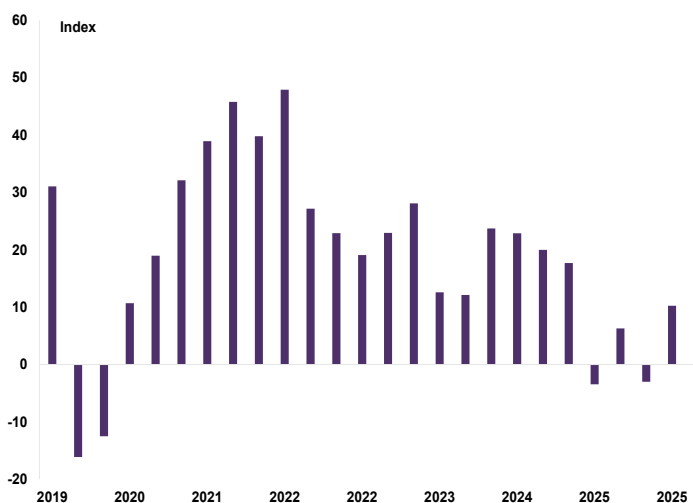
### Infrastructure continues to lead the way

Looking at trends in current workloads, the latest figures generally point to weaker momentum

compared to Q4 (when measured in net balance terms). This is illustrated in Chart 2. Notably, this is now the fifth consecutive quarter in which the reading for private residential workloads has pointed to a deteriorating trend, with the net balance falling to -25% (from -21% beforehand). The picture is particularly weak in British Columbia, although Ontario also continues to record a clearly negative result. Meanwhile, private non-residential workloads slipped back into modestly negative territory, with a net balance of -4% (compared to a flat reading in Q4). By way of contrast, the infrastructure series remains in positive territory at +21%, albeit this is some way below the +37% net balance reported in the prior quarter. As before, work in the energy and digital spaces is helping to underpin activity in this part of the market.

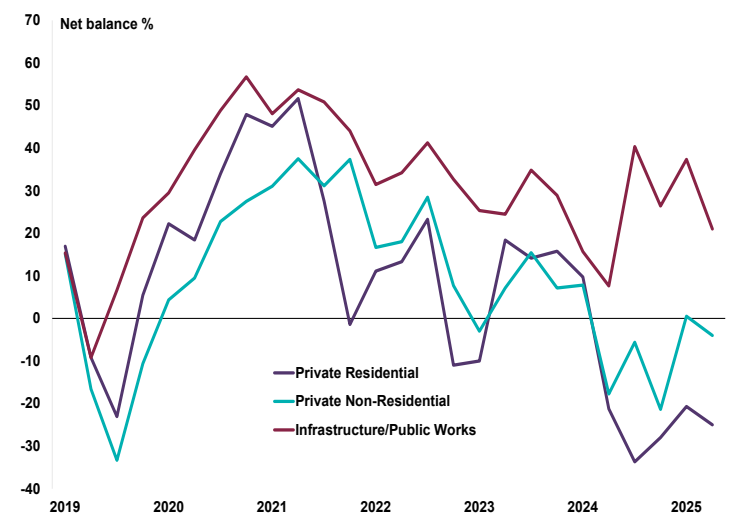
Reviewing the other feedback around current conditions, the indicator for profit margins fell back to -27% (from -15% in Q4), reflecting renewed pressure across much of the sector. Among larger companies, the latest reading of -26% represents a sharp reversal

Chart 1: Construction Sentiment Index\*



\*The Construction Sentiment Index is a composite measure encompassing variables on current and expected market activity as well as margin pressures.

Chart 2: Current Workloads by Sector



from the +6% returned previously, with the brief stabilisation noted in Q4 having quickly faded. Payment delays reportedly rose according to a net balance of +18% of respondents, while the headcount indicator dipped to -3% (from +1% in Q4), suggesting firms may be turning a little more cautious in their approach to recruitment.

**Credit conditions remain challenging**

The Bank of Canada held the policy rate at 2.25% throughout the period covered by this survey, with the most recent decision (April 29) following on from earlier holds in January and March. Although headline inflation has remained relatively contained, the surge in global energy prices following the outbreak of the war in the Middle East has begun to feed through into higher gasoline prices, complicating the outlook for monetary policy.

Against this backdrop, businesses continue to find the financial environment difficult, as is clear from the results highlighted in Chart 3. The net balance for current credit conditions deteriorated further to -21% (from -7% in Q4), while the readings at both the three- and twelve-month time horizons (at -15% and -11% respectively) point to expectations of ongoing tightness in the financial backdrop. Linked to this, financial constraints are now the second most widely cited impediment to activity, flagged by 63% of respondents (up from 57% in Q4).

**Forward-looking metrics show mixed outlook**

Chart 4 tracks the 12-month expectations indicators for workloads, employment, and profit margins, and shows that the outlook has softened compared with Q4 across most areas. Significantly, the feedback received from respondents now points to a likely further contraction in private residential activity over the year ahead (net balance -11%), with high construction costs, slowing population growth, and subdued investor demand all continuing to weigh on developers. The picture for private non-residential activity is broadly flat, while it is, once again, the infrastructure space where projections remain most upbeat (net balance of +41%). Despite this, expectations have eased somewhat compared to Q4, when the equivalent reading was +59%. Alongside this, profit margins are now expected to come under renewed pressure over the year ahead (-11%), reversing the modest improvement in sentiment noted last quarter.

**Skill shortages remain critical**

Despite the somewhat softer trend in construction activity, the issue of skills remains very much at the forefront of respondents' minds. Chart 5 shows that 65% of contributors to the latest survey highlight skills shortages as an impediment to activity, up from 59% in Q4 and making this the most widely cited challenge for the second consecutive quarter. Breaking the data down further, skilled trades continue to be viewed as the area where challenges are most intense (as reported by 59% of participants), while difficulties sourcing quantity surveyors are cited by 47% of respondents.

Chart 3: Credit Conditions

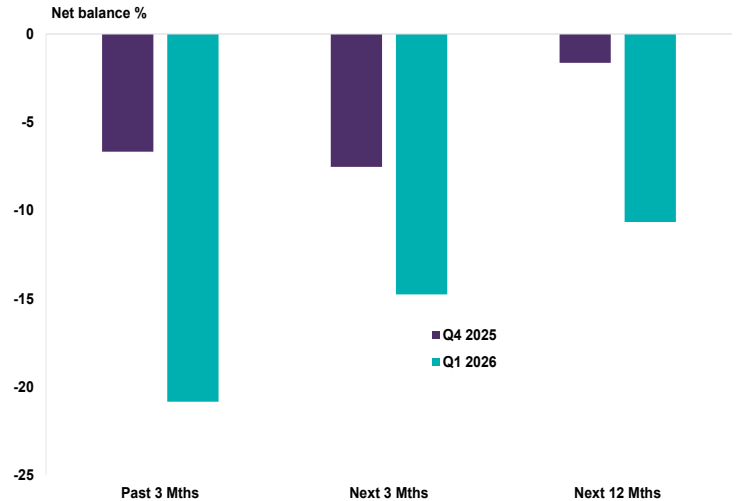


Chart 4: Twelve-Month Expectations

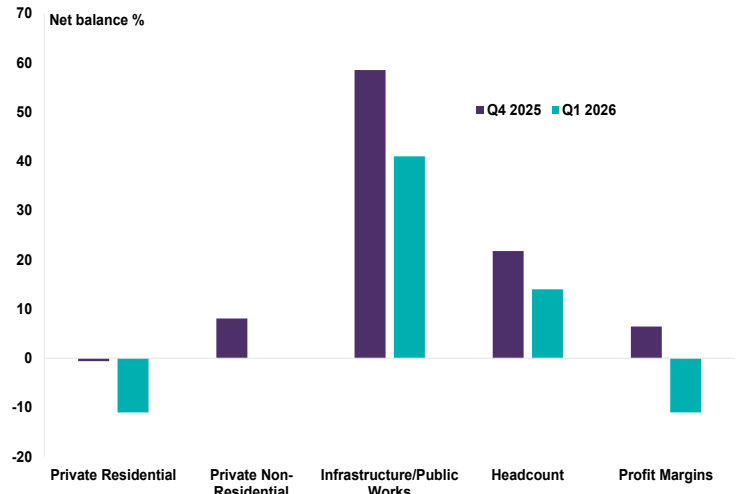
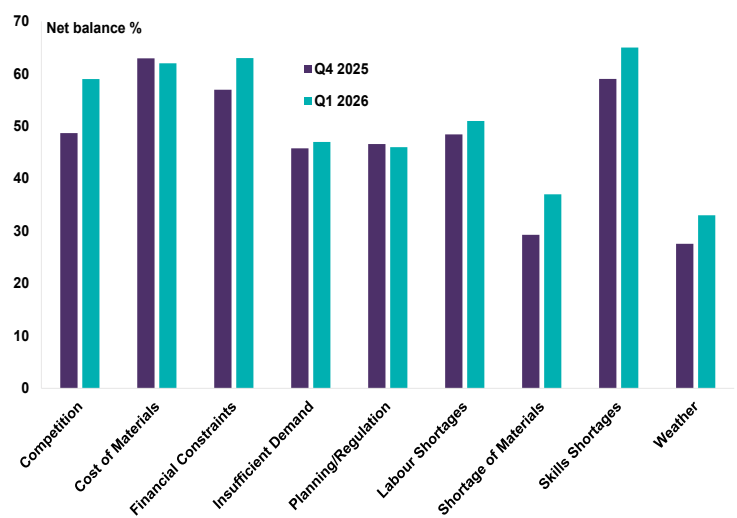


Chart 5: Factors Hindering Activity



## Comments from survey participants based in Canada

Engineering design. – Burnaby

Lack of investment in research and development, and limited enthusiasm for adopting new technologies. – Calgary

Low owner budgets and unrealistic understanding of current market pricing. Owners often rely on cost expectations from 5–10 years ago without accounting for appropriate escalation. – Calgary

Vague contractual terms, conditions, and documentation. – Calgary

CUSMA trade negotiations remain in flux. There is no clear path to resolving the current trade disputes, as stakeholder perspectives on international trade do not align. – Cambridge

Tariffs previously imposed on Canada, China, and Mexico, combined with the ongoing war in the Middle East. – Columbus

Wars are causing oil price fluctuations. – Concord

Low demand associated with a decline in immigration. – Edmonton

Maintaining standards and professionalism. – Edmonton West (West Jasper Place / West Edmonton Mall)

Rising oil prices are creating cash flow challenges and slowing down the construction sector. – Essex

Hiring unqualified workers to meet DEI quotas. – Guelph

Gas price increases driven by Middle East tensions are significantly impacting construction costs. – Halifax

The construction market is being heavily influenced by the war in the Middle East; as fuel costs rise, so do construction prices. – Halifax

The Quantity Surveyor role is not well established in Atlantic Canada. Cost management is often overlooked in favour of project management, which does not consistently monitor costs. This is particularly problematic in infrastructure projects, where change orders are frequently accepted without challenge or reassessment. Contractors also face high workloads and are not pricing future opportunities aggressively—especially in mechanical trades—leading to increased prices overall, particularly in rural locations. – Halifax

Government infrastructure projects are increasing significantly in size and duration. Additionally, owners are experimenting with different delivery methods and contract types. – Kelowna

Government investment in construction projects. – Markham

Market oversaturation with work, making objective assessment difficult. – Mississauga

Global economic uncertainty continues to impact the construction market, contributing to fluctuating material costs, cautious investment decisions, and ongoing supply chain challenges. – North Vancouver

Canada's limited track record of investment in technology. – North York

Condominium construction has declined, while affordable rental housing projects have increased significantly. – Oakville

High inflation and economic uncertainty. – Ottawa

Rising fuel costs and declining demand in the condominium market. – Ottawa

Ongoing uncertainty surrounding initiatives such as Build Canada Homes and the Major Project Offices launched by the current federal government. – Ottawa

Political instability and wars. – Regina

Material shortages and skilled labour shortages. – Saint John

Organisations are hesitant to move forward with projects, and approval timelines remain lengthy. – Saskatoon

High interest rates and elevated construction costs. – Scarborough

A growing lack of knowledge among younger workers regarding construction methods, people management, and trade skills. – Spruce Grove

No additional specific factors beyond those already mentioned in the survey. – St. Catharines

Regulatory rigidity. – St. Hubert

Middle East conflict and tariffs. – St. John's

A residential downturn may increase both white- and blue-collar labour supply. – Surrey

Canada-US relations. – Toronto

Construction market costs are increasing. – Toronto

Market downturn. – Toronto

Economic uncertainty has slowed residential home purchases. – Toronto

Financial risk. – Toronto

Tariffs and the refund process are creating unnecessary contract administration work for both owners and subcontractors. Many choose to absorb losses rather than claim refunds, adding cash flow strain and putting smaller businesses at risk. – Toronto

US tariffs. – Toronto

New taxation rules in British Columbia for consultants are increasing the cost of their services. – Vancouver

Construction activity in Vancouver is constrained by economic pressures and slower population growth. Higher interest rates and tighter financing reduce developer confidence and delay project starts. Softer immigration and migration trends weaken housing demand, affecting presales and rental uptake. Combined with high construction costs and regulatory delays, this is leading to fewer new projects and a more cautious, cost-focused market approach. – Vancouver

Government fee increases. – Vancouver

The economic risks of geopolitical conflict are likely to impact projects in the coming months, adding to an already uncertain environment. – Vancouver

Many contractors are underbidding projects due to limited workload, negatively impacting the overall market. – Vancouver

Preparation for AI integration in real estate and construction, including its application in project management. – Vaudreuil-Dorion

Reduced provincial funding for affordable housing is expected to impact the market in 6–8 months as fewer projects materialise. This may increase competition and potentially reduce construction costs. – Victoria

Market volatility driven by current US policy. – Victoria

North American trade has been significantly impacted. Canada is attempting to rebalance its GDP, but with limited expected effect. High uncertainty is leading to reduced spending. – Winnipeg

# Information

## Global Construction Monitor

RICS-CIQS Canada Construction Monitor is a quarterly guide to the trends in the construction and infrastructure markets. The report is available from the RICS website [www.rics.org/economics](http://www.rics.org/economics) along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

## Methodology

This is the RICS-CIQS Canada Construction Monitor, which received 164 responses in Q1 2026. It forms part of the RICS Global Construction Monitor. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100. A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline.

RICS Construction Sentiment Index is constructed by taking an unweighted average of current and 12-month expectations of four series: residential workloads, non-residential workloads, infrastructure workloads and profit margins. Global and regional series are weighted using the World Bank's GDP PPP (2017 constant prices) data series. Current responses were weighted using the prior years GDP (e.g. the 2020 responses were weighted using 2019 GDP data). Where responses are not sufficient to form a national-level sample, they are binned together to fill in any gaps in regional coverage.

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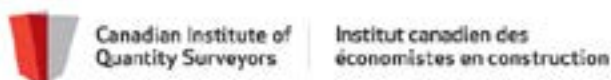
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The Canadian Institute of Quantity Surveyors (CIQS) was founded in 1959 and is the voice for Canada's construction economists. It is a self-regulatory, professional body and the gatekeeper of the ethics and standards for construction and infrastructure economics in Canada and currently represents over 2,000 construction cost professionals from across Canada as well as internationally.

CIQS owns and manages two professional and internationally known designations, the Professional Quantity Surveyor (PQS) and the Construction Estimator Certified (CEC), which can only be used by qualified, certified members of the Institute. PQS and CEC professionals counsel building owners, developers, government bodies, designers, and contractors at every stage of the design, procurement, and construction process to help ensure a return on investment is delivered.

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